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The Becker Milk Company Limited

Corp report

Annual Report
Year Ended April 30, 1971

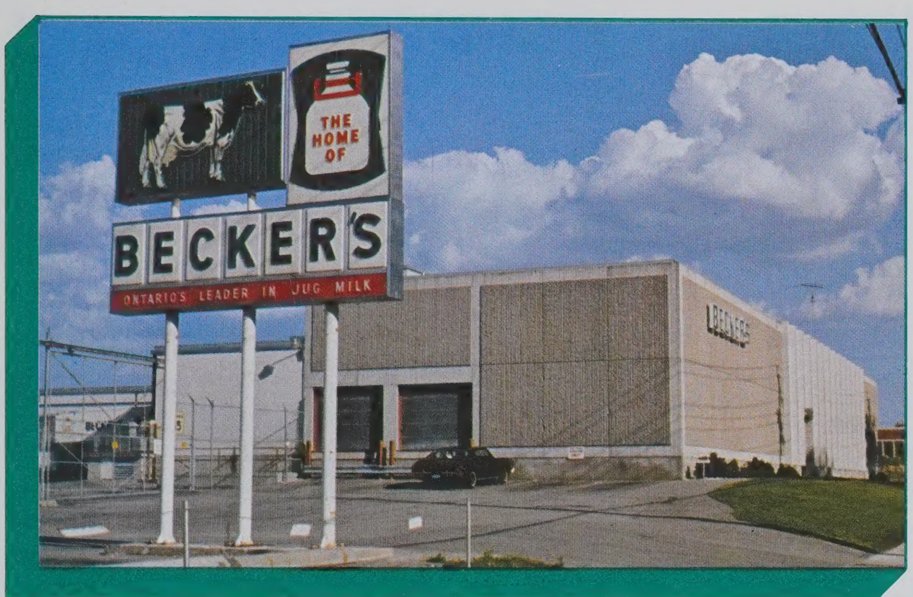
BECKER'S

Index Page

Highlights of the year

Year ended April 30	1971	1970	Percentage Change
Sales	56,956,164	50,636,008	+ 12.5
Operating earnings	3,252,808	3,271,049	– .6
Net earnings	1,075,002	1,064,372	+ 1.0
Earnings per share	.60	.60	–
Long term debt	2,652,730	2,468,628	+ 7.5
Shareholders' equity	6,468,957	5,421,095	+ 19.3
Shares outstanding – Class A	5,675	5,675	–
– Class B	1,178,470	1,177,510	–
– Common	540,750	540,750	–
Number of stores	340	293	+ 16.0
Number of employees	1,406	1,238	+ 13.6

Becker country is jug milk country



Head Office and Plant, Scarborough, Ontario

Fourteen years ago a new concept of milk marketing was established in Ontario. It was brought about by the start of operations of The Becker Milk Company Limited in the Toronto area. It was a small start but has proven to be very significant to the consumers in Ontario.

We initially rented plant space to process milk, primarily in the then new three quart jug, distributing it through company owned stores.

This was a concept new to Ontario and to Canada but had been well proven elsewhere in North America. It was quickly accepted here as we were able to provide fresh, high quality milk products at economical prices. Our change from the traditional one quart milk container and home delivery service enabled us to effect production and distribution efficiencies which we bestowed to our customers by offering lower prices.

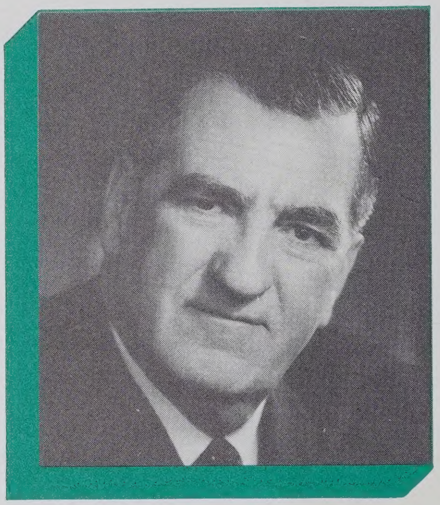
Soon we were firmly established as price leaders for milk in our area of operations as well as in the whole of the Province. We have continued this leadership ever since and there have been many ways and occasions to demonstrate and prove this. Periodically, we have been faced with the inevitable increases of costs of raw materials and services. Over the years such increases have resulted in numerous changes in the retail price of milk. Time after time it has been established that our policy of holding milk prices down has tended to moderate the rate of increases in our marketing area.

The effect of our marketing concept upon the retail price of milk has also been clearly demonstrated upon the many occasions where our expansion programme has taken us to new areas.

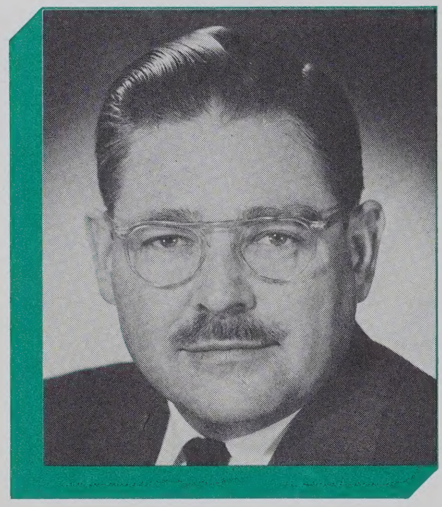
Our success and growth has been made possible by the public acceptance of our products and our stores. We bring much more than just economically priced jug milk to the consumers in Becker Country. We offer conveniently located stores carrying a good selection of high quality and high demand merchandise at competitive prices. We strive for lowest possible prices for all the products we sell. We give our customers fast service and convenient store hours and our service is still friendly and personalized. Even in the recent highly competitive marketing climate we have not sacrificed the quality of the service we offer or the quality of our products.

Becker Country has grown during this past year. It will continue to grow in the coming years. There will be more and more friendly neighbourhood Beckers Stores offering to the Becker Country consumers desirable merchandise, well exhibited and easily accessible.

Directors' report to the shareholders



Frank A. Bazos, Chairman of the Board



Robert W. Lowe, President

We are pleased to report the results of our fourteenth year of operations. In many ways this has been the most challenging one. For some years now we have in our reports remarked upon the intensive competition in the food industry and upon the adverse business conditions generally.

The general economic slowdown not only continued but actually worsened during our last fiscal year and only very recently has there been any easing of the pressures.

The trend the food industry competition was to take was not expected by most of us. It is history now that the condition which for some years had been just fierce competition between supermarkets, flared up into a full scale price war.

This war was declared with extensive publicity and claims of big savings to the consumer. "Discount" price became the slogan in the retail food industry and inevitably most of the chains were drawn into the vicious circle. Soon all major supermarket chains were offering discount prices or savings of one description or other. We heard of claims of savings to the consumer as high as 15%. These claims were made by an industry where pre tax profit margins had traditionally ranged downward from 4%, very much downward in most cases!

The shareholders learned that the loss in gross margins would be made up by increased sales volumes and by efficiencies in operations. If the discounting had been confined to just one member of the industry, this perhaps would have worked, at the expense of the rest of the industry.

In practice we found that the entry of the other chains into discounting, combined with the relatively inelastic demand for all food, produced a trend of significantly declining net profit margins.

The hard facts were revealed as a number of supermarket chains published their operating results for periods of the price war. Efforts were made by some to reduce the service offered and quality may have been sacrificed in some cases. Relief was only in sight when the all out discounting was phased out.

Normal conditions have now returned to our industry, the price war appears to be over and again we are only faced with the usual "intensive competition". Over the years we have learned to operate successfully within such environment and are confident that we will again continue our growth unabated.

During the last year we too felt the effects of the price war.

We started with an excellent first half of the year showing good growth in sales and earnings. In the second half the growth slowed but we were fortunate to be able to continue to operate profitably. Even during the height of the price war, we did not deviate from our basic marketing policies.

We continued to offer our customers low prices on all of our products and still have not resorted to loss leaders. We did not cut the quality of our products and continued to give service to our customers as before.

We had to considerably step up our advertising and promotional programme. No doubt we also did lose some sales during the period where many customers were lured from store to store with lavish claims of savings.

The foregoing conditions are reflected in our operating results of the second half of the year. We stated in the beginning that we were pleased to report the results of our operations. We are pleased indeed, that despite the unusual conditions we were able to show earnings for this year which are not significantly different from the last year's earnings.

The attached financial reports tell the complete story, but we would like to highlight some points here. Our sales for the year were $56,956,164. an increase of 12.5% over the previous year. Our number of stores increased to 340 from 293, a 16% increase. Net earnings from operations were $987,502. the equivalent of 55 cents per share. We also received compensation for a store expropriation in the amount of $87,500. Including this extraordinary item the earnings were $1,075,002 or 60 cents per share. Net earnings last year, all from operations, were $1,064,372. the equivalent of 60 cents per share.

The results achieved under these difficult conditions have proved once again the public acceptance of our marketing concept. We are also fully aware of the importance of the contribution made by all of our employees. We have provided our customers with high quality merchandise at convenient locations. Our employees provide the fast and friendly service that makes shopping at Becker's a pleasure.

With the present trend of easing business conditions to help us, we have every confidence that now we can again look forward to new records in our growth.

Sincerely,

Chairman of the Board

President

Meeting the challenge of growth

Becker Label Products

We are proud to display below the line of Becker label products. This is the culmination of fourteen years of development and market research. We have strived to develop a line of highest quality products that are in sufficient demand to warrant bearing the Becker label.

We feel that the product mix developed has proven to meet the demand and our standards and for the past few years we have not found it necessary to make any major changes in our products.

Developments during the last year have been to meet minor changes in marketing conditions and demand. We have also continued in our endeavour to improve the quality of the product and to enhance the packaging appeal.

The quality of our label products is our most important concern. Our strict quality standards apply to all of our label products whether processed and packaged by ourselves or by outside suppliers to our requirements.

Administration

In the area of administration we have continued our planned programme of improving and upgrading our computer installation. An I.B.M. System 360 Model 25 Computer with disk drives is used at present. The added computer capacity and speed has again enabled us to assume the added workload of processing the accounting data for an additional 47 stores with no increase in the general office staff.

We have also been able to incorporate further areas of our

operations into the system of electronic data processing and now provide detailed costing reports on delivery and on individual vehicle operations.

A further significant change in our procedures was made possible through the utilization of our own data processing facilities in conjunction with the sophisticated facilities now available to the Chartered Banks. In this instance, the complete procedure of transferring individual store daily sales monies from local branch banks to our main bank account was completely changed. This resulted in improved control and in the elimination of most of the time lag between the deposit of sales monies and the time these monies became available to us in our main bank account.

In our operations, centralized processing of accounting data is necessary for a large number of individual profit centres. Electronic data processing enables us to do this speedily and accurately. We look forward to still further improvements to our systems of accounting and control by even better utilization of our present facilities and by taking advantage of improvements in computer technology.

Personnel Development

The selection and training of competent and enthusiastic Store Managers has always been a very important area of our operations. We must look for some very special qualifications in our Store Managers. Here the intangible qualities of personality are much more important than the past experience of the applicant. We expect Becker's Managers to be loyal and dedicated employees, willing and able to work hard and to be competent in the handling of the store. We expect them to act as our public relations representatives in their dealings with the public. This has presented quite a challenge for our personnel department, despite the slowdown in economy and the trend of increasing unemployment we experienced in the past year.

Our stores personnel requirements have depended both upon the growth in the number of outlets and in the turnover of the

Becker's Training School in session

Meeting the challenge of growth

staff. We must constantly look for ways to attract and keep new personnel in the Becker Family. To achieve this, we have improved our commission schedules in relation to the length of service and have continued to upgrade the training given to our managers.

During the past year our formal training programme was extended to five weeks. The first week is spent at our training school, which has been in operation for some years at our Head Office. This is an accredited teaching method recognized by the Toronto Board of Education. The curriculum has been improved and updated and the week in classroom is devoted to study of store accounting and control methods as well as of marketing and salesmanship. The fact that the classroom is in effect a simulated interior of a Becker store adds interest to the study and makes it easier to demonstrate operating procedures such as cash handling and merchandising and display.

The school training is followed by two weeks in one of the several selected training stores, working under actual operating conditions, with an experienced manager. Here the trainee actually can perform the functions of a Store Manager without assuming the responsibility for the store.

The trainees successfully completing the first two stages of training will finalize their training period at locations which in most cases will become their stores. Here they assume the responsibility for the store but for a two week period still have the advantage of a Company Training Manager's presence in the store to aid and assist them.

To make this final phase of training effective, the group of training managers was expanded during the year. They have been carefully selected from amongst our most experienced managers. Particular emphasis in the selection is placed upon the ability to teach and to guide new personnel. We have an excellent group of people working with our new managers and giving them the benefit of their many years of experience in operating Becker's stores.

The apparent success of the extended training period is most gratifying. The turnover of managers having completed this programme has been negligible and it appears to have generated many very efficient and highly competent managers. We look forward to improving this training programme and are confident we will enjoy the benefits of it for years to come.

Store Development

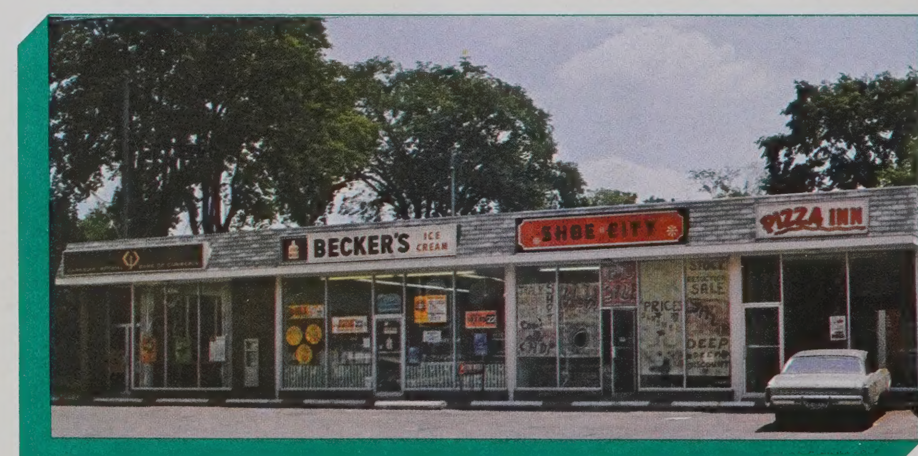
For the fourth consecutive year we have been able to keep our store expansion programme at the level of approximately 50 new stores per year. During this last year we actually opened 51 new stores.

We also continued our careful evaluation of the existing stores as to their individual contribution to our operating results. If any stores did not develop to their expected potential or if such potential was impaired through changes in the area or facilities surrounding the store, then in the interest of overall efficiency such stores had to be considered for a possible closing.

We were fortunate that during the year we found it necessary to close only four stores because of their sales volume.

The resulting net increase in our outlets was 47 stores. Of that total one half of the new locations were still in our original milk marketing area, taking in the Metropolitan Toronto, Hamilton and Oshawa areas. Ten stores were

Plaza built by Becker's, Peterborough, Ontario



Prefabricated store, Omemee, Ontario

opened in the two new marketing areas which we commenced to develop during the last year. Details of our marketing areas and the distribution of our stores in those areas are shown on the map on page 18.

During the year Becker's pioneered the concept of a "mobile" store in order to provide convenient service to the travelling and vacationing public in seasonal recreational areas. The prefabricated unit is virtually identical in every respect to the familiar neighbourhood Becker store, except for its demountable axles and wheels.

The prototype model was installed in the village of Omemee in the heart of Kawartha Lakes recreational area. This store has proven to be successful in serving the needs of both summer and winter vacationers as well as of the year round local residents.

Other units are now on order and will be used to test market potential of new locations without the need to incur permanent installation costs.

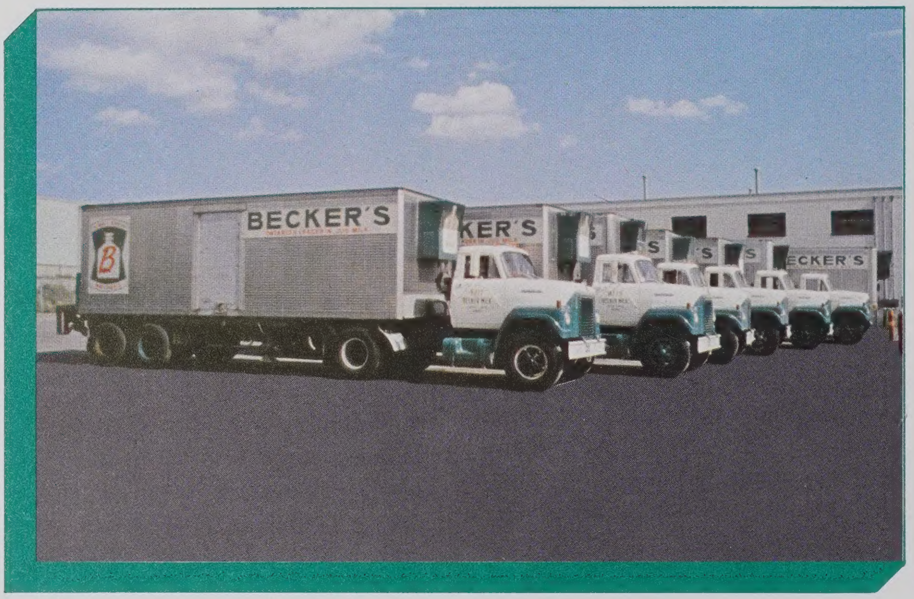
We are also keeping abreast of the changing patterns of urban living. In areas where the trend is towards large high-rise apartment complexes, shopping facilities within easy walking distance provide a convenient service for the densely concentrated population. To serve such markets we have established a number of stores within high-rise apartment complexes.

In the lower density housing developments in the suburban areas there is an increasing demand for small shopping plazas with adequate parking facilities to accommodate the more mobile population of such areas. Where such facilities are lacking we have endeavoured to meet the demand by the purchase of suitable sites and by the building of 2 to 6 unit plazas to accommodate our stores and other suitable tenants.

We now have an expanded marketing area available to us, in which we have barely started to develop the market potential. In the older parts of our marketing areas, we have continued to experience an ever increasing population growth. This combined with our careful analysis of changes in marketing conditions and trends to take advantage of any new demands for shopping services give us confidence that we will be able to continue our store development programme at the present or even an accelerated rate.

Store located in a large apartment complex

Meeting the challenge of growth



Distribution

We are conscious of the importance of an efficient delivery and distribution system in our overall operations. We must be able to distribute products from our plant to the stores speedily and economically. Our stores must be assured of adequate supply of fresh products at all times. With this in mind, we have, over the years, developed a fleet of trucks ranging from light vans to heavy tractor-trailer units, suitable to meet all of our demands.

During the year we have enlarged the fleet to service our expanded marketing area and the larger number of stores. We have strived to further improve our service and to better the utilization of equipment.

New equipment has been acquired for our service garage and we have increased the garage staff. This garage now is capable of meeting all our service and mechanical repair requirements, including major repairs. The operating hours take advantage of the time when the trucks have returned from deliveries. Outside services may only be required for on-the-road breakdowns. The accounting for garage services has been incorporated in our data processing system to give detailed costing for individual vehicles.

We have found our tractor-trailer units to be especially suitable for the deliveries we now make to some of the more distant points of our expanded area. In this respect, we are fortunate to be able to take advantage of the recent changes in regulations in respect to vehicle weights and lengths. We now have equipment on order which will enable us to use two trailer trains, effecting labour savings when delivering out of town.

Processing Department

Our last major changes in processing facilities were made in 1968. The increased production capacity then installed was planned to meet

the requirements of expansion and increased demand for a number of years. We have continued to be able to meet our requirements with these basic facilities. In this respect we have been helped by continually improving the efficiency of the operation. We have developed and further automated the facilities by utilizing new techniques.

The processing facilities now operate with a high degree of automation and assure us fast and efficient production for all our product lines. Our modern and comprehensive basic processing equipment is designed to assure us of a consistently high quality product but further auxiliary equipment has been incorporated into the system in interest of purity and cleanliness.

Our products are constantly checked while in process and in finished product form, as to quality and purity. The instruments used by our quality control laboratory also are updated constantly as new and better equipment becomes available through advances in dairy technology.

As a further service to us and our customers, our quality control department during the past year opened a testing kitchen wherein food and dairy products can be compared and evaluations made. New or changed products as well as competitive products are tested and compared in order to ensure that our products are of the highest quality and meet customer acceptance. We are very proud of the quality and appeal of our products.

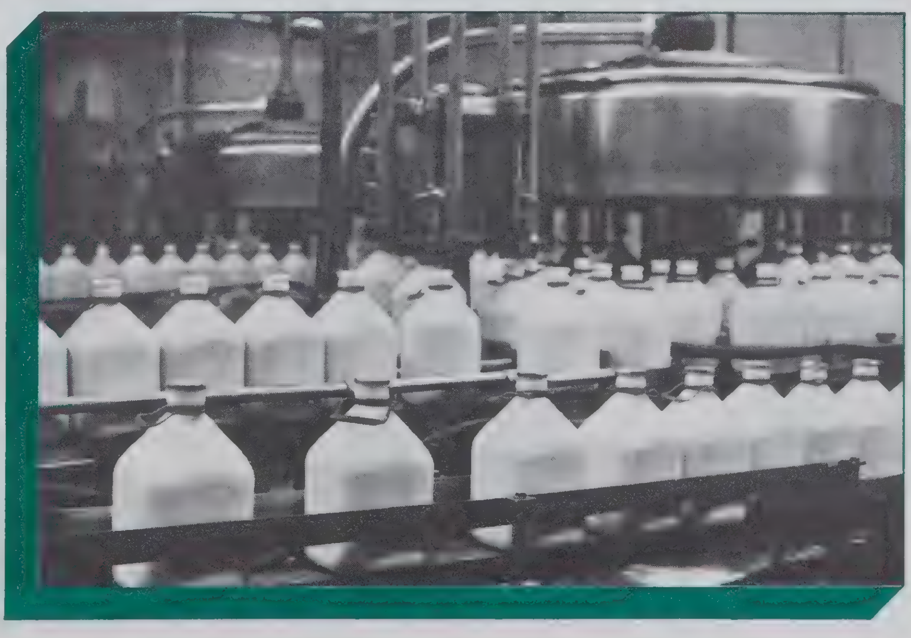
Financial Position

We had started this past year in a period of continued "tight money" policy and of high interest rates. In such an economic climate we are fortunate that we enjoy a cash flow from operations that is sufficient to finance our usual rate of expansion. We also know that should extraordinary opportunities for expansion at an even greater rate present themselves, we have further adequate funds available under the debenture arrangement with the Royal Bank of Canada.

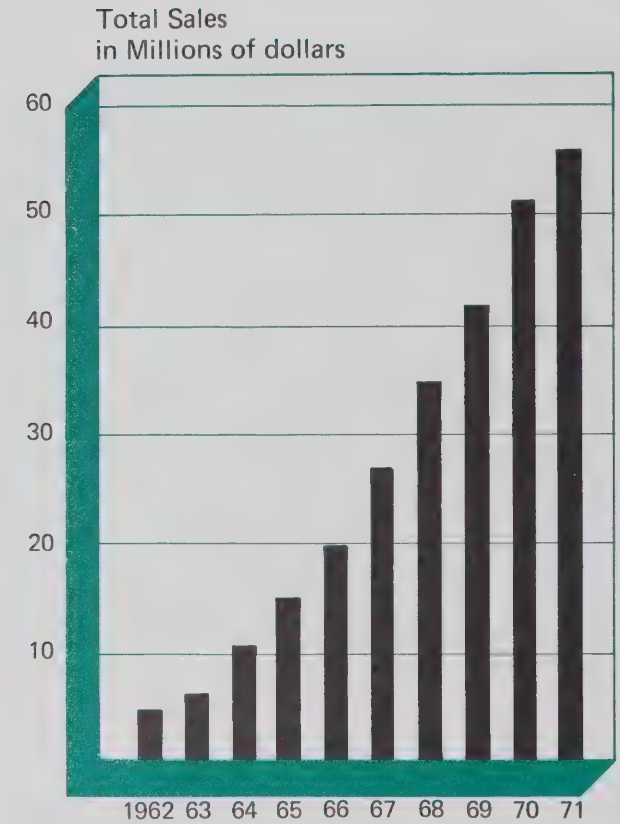
At this stage, not only has our cash flow continued at a most satisfactory rate, but also we have seen the easing of the money market and the lowering of the interest rates. This should stimulate commercial development and add to the availability of store locations.

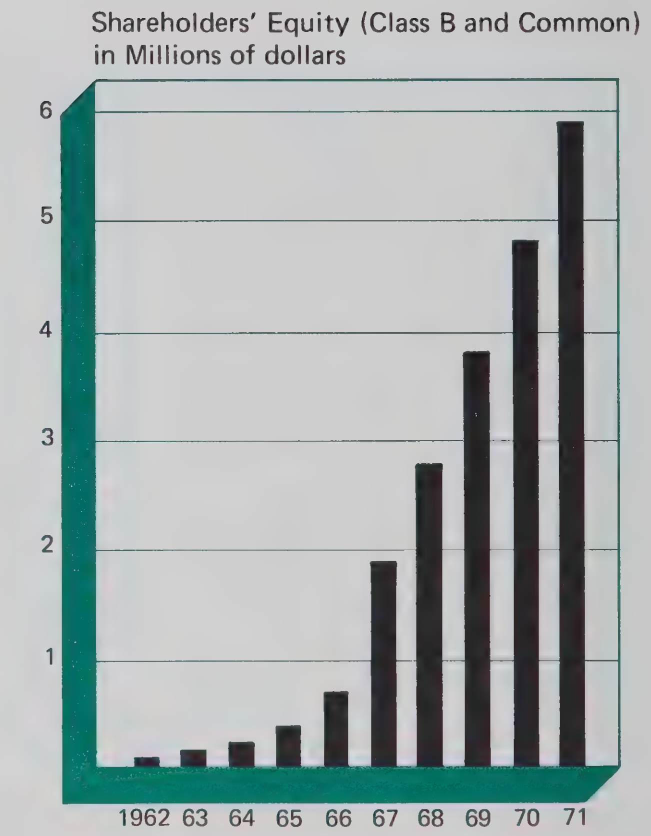
During the past year we disbursed a total of approximately 2.2 million dollars on fixed asset acquisitions. We completely equipped 51 new stores and renovated and replaced equipment in some of the older stores. We made additions to our truck fleet to keep up with the delivery requirements of the increased number of stores. In numerous cases again we found it necessary and beneficial to acquire real estate for our store locations either by buying existing store buildings or by buying building sites and building our own stores or small plazas. During the year we also acquired the facilities and business of the Chesley Dairy and gained access to yet another milk marketing area.

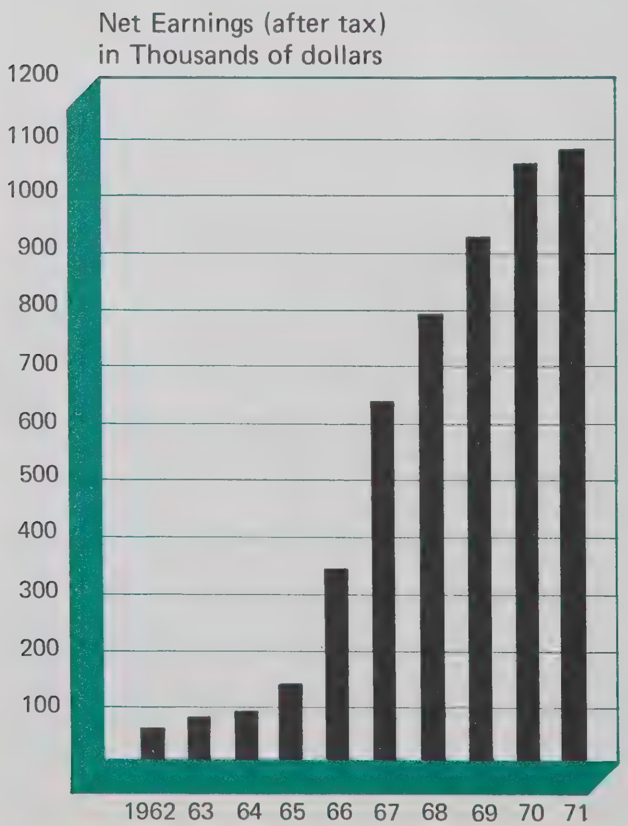
We have again demonstrated that our growth at approximately 50 stores a year can easily be financed out of cash flow. Despite the heavier than usual investment in land and buildings for stores we were able to increase our working capital this year by $114,228.

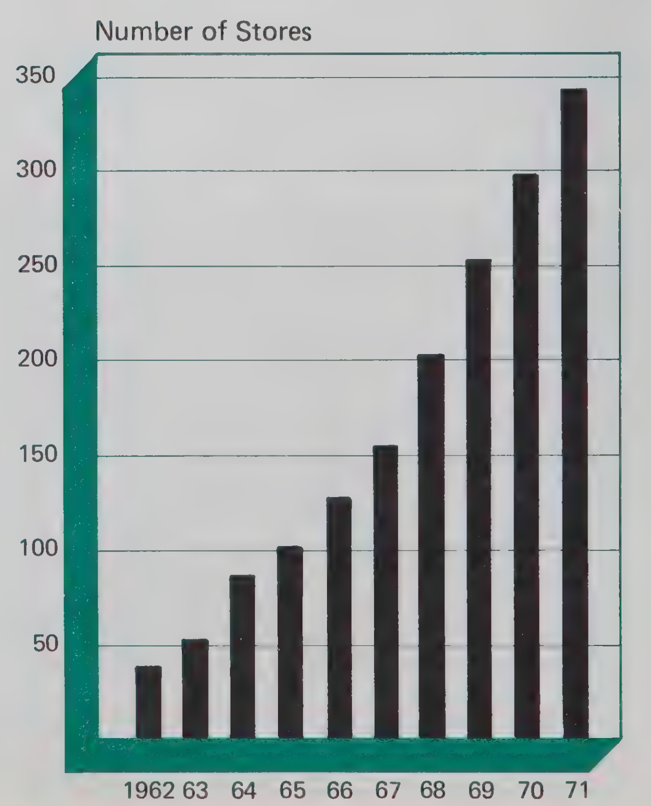


Financial review









Consolidated statement of earnings

For the year ended April 30, 1971

	1971	1970
	$	$
Sales	56,956,164	50,636,008
Cost of goods sold	41,385,099	37,365,139
Gross profit	15,571,065	13,270,869
Operating expenses	12,318,257	9,999,820
Earnings before depreciation and amortization, interest charges and taxes on income	3,252,808	3,271,049
Depreciation and amortization (Note 8)	958,516	814,019
Interest charges	195,230	194,858
Taxes on income (Note 8)	1,111,560	1,197,800
Net earnings before extraordinary item	987,502	1,064,372
Add: Compensation for store expropriation	87,500	–
Net earnings for the year	1,075,002	1,064,372
Net earnings per class B and common share (Note 6)		
Before extraordinary item	.55	.60
Extraordinary item	.05	–
Earnings per share	.60	.60

Consolidated statement of retained earnings

For the year ended April 30, 1971

	1971	1970
	$	$
Balance beginning of year	4,002,771	2,972,449
Net earnings for the year	1,075,002	1,064,372
	5,077,773	4,036,821
Dividends paid on class A shares	34,050	34,050
Balance end of year	5,043,723	4,002,771

The accompanying notes are an integral part of the consolidated financial statements.

The Becker Milk Company Limited and subsidiary companies

Consolidated balance sheet

As at April 30, 1971

Assets

	1971	1970
	$	$
Current Assets		
Cash	57,514	333,144
Marketable securities — at cost	6,073	5,073
Store managers' accounts and sundry accounts receivable	199,703	224,294
Advances to employees	1,792	1,869
Inventories —		
Plant, at lower of cost or net realizable value	1,112,365	1,322,915
Stores, at lower of cost or net realizable value less normal profit margin	3,030,439	2,744,239
Prepaid expenses and deposits	180,046	155,992
Chattel mortgages receivable	—	2,199
	4,587,932	4,789,725
Investments		
Advance to associated company	—	29,518
Mortgage receivable	22,000	—
	22,000	29,518
Fixed Assets (Note 2)		
Assets — at cost	12,813,015	10,528,298
Less: Accumulated depreciation and amortization	4,272,138	3,191,593
	8,540,877	7,336,705
Other Assets		
Rent deposits	13,580	13,580
Payment in respect of retail sales tax assessment — (Note 3)	163,375	163,375
Progress draws on building construction	79,081	—
Sundry	57,274	41,004
	313,310	217,959
	13,464,119	12,373,907

Approved on behalf of the Board:

Frank A. Bazos, Director

Robert W. Lowe, Director

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

	1971	1970
	$	$
Current Liabilities		
Bank indebtedness	–	568,718
Accounts payable and accrued expenses	3,343,586	2,816,703
Equipment instalments	3,000	2,724
Income and other taxes payable	356,448	638,988
Sundry mortgages payable	48,389	40,311
	3,751,423	4,067,444
Long-Term Liabilities		
Managers' bond deposits	381,550	313,175
Equipment instalments – less current portion	2,920	6,584
Series C debentures (Note 4)	2,000,000	2,000,000
Sundry mortgages payable – less current portion (Note 5)	268,260	148,869
	2,652,730	2,468,628
Deferred income taxes (Note 8)	591,009	416,742

Shareholders' equity

Share Capital (Note 6)

Authorized –

8,000 – 6% cumulative class A preference shares with a par value of $100 each, redeemable at par

2,459,250 – non-voting, non-cumulative, participating class B preference shares without par value

640,750 – common shares without par value

	1971	1970
Issued and Fully Paid –		
5,675 – class A shares (last year 5,675)	567,500	567,500
1,178,470 – class B shares (last year 1,177,510)	857,446	850,534
540,750 – common shares (last year 540,750)	288	288
	1,425,234	1,418,322
Retained earnings (Note 7)	5,043,723	4,002,771
	6,468,957	5,421,093
	13,464,119	12,373,907

Consolidated statement of source and use of funds

For the year ended April 30, 1971

	1971	1970
	$	$
Source of Funds		
Operations		
Net earnings for the year	1,075,002	1,064,372
Charges not requiring an outlay of funds:		
Depreciation and amortization	958,516	814,019
Deferred income taxes	174,267	48,519
Sundry	4,439	—
	2,212,224	1,926,910
Other		
Issue of class B shares	6,912	7,290
Manager bond deposits	68,375	48,475
Increase in mortgages payable — net	119,391	63,985
Decrease (increase) in advances to associated company	29,518	(1,000)
	2,436,420	2,045,660
Use of Funds		
Purchase of fixed assets (net of disposals) and progress draw payments	2,246,208	2,065,683
Dividend paid on class A shares	34,050	34,050
Mortgage receivable	22,000	—
Redemption of series B debentures	—	50,000
Decrease (increase) in equipment instalments	3,664	(6,584)
Sundry	16,270	11,588
	2,322,192	2,154,737
Increase (decrease) in working capital	114,228	(109,077)
Working capital at end of year	836,509	722,281
Working capital at beginning of year	722,281	831,358
Increase (decrease) in working capital	114,228	(109,077)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

As at April 30, 1971

1 BASIS OF CONSOLIDATION

The accounts of the two subsidiary companies have been included in the consolidation from the date of their acquisition.

2 FIXED ASSETS

Fixed assets are classified as follows:

	Cost	Accumulated Depreciation and Amortization	Net Book Value
	$	$	$
Land	914,748	—	914,748
Buildings	2,525,416	216,258	2,309,158
Equipment — plant	1,166,852	627,152	539,700
— stores	5,660,088	2,286,789	3,373,299
— office	114,558	55,257	59,301
Trucks and automobiles	1,157,839	635,247	522,592
Leasehold improvements	1,273,514	451,435	822,079
	12,813,015	4,272,138	8,540,877

3 RETAIL SALES TAX ASSESSMENTS

The Company is presently contesting two assessments levied by the Ontario Retail Sales Tax Department for the period November 1, 1964 to April 30, 1970. The first assessment in the amount of $163,375 has been paid and the second assessment in the amount of $272,776 is still unpaid. The Company has received an opinion of legal counsel that at the present time it can successfully defend the foregoing assessments.

4 SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is $4,000,000. Draw-downs may be made in minimum amounts of $500,000 to December 31, 1971. Interest on the amounts outstanding will be at 1% above the bank's prime lending rate and is payable quarter yearly. Repayment of the principal is to commence not later than December 31, 1974, in annual principal instalments of not less than 10% of total loans then outstanding. The loan may be prepaid at any time without notice or bonus. The Company's bankers will receive warrants to purchase class B shares at the rate of a warrant to purchase 2,000 shares per $500,000 loan so drawn-down in excess of $1,000,000 until warrants to purchase an additional 12,000 shares have been issued. The price per share shall be 10% above the closing bid quotation on the day previous to the draw-down with respect to which the warrants were issued and may be exercisable for a period of five years from the date of the draw-downs. At this date warrants have been issued for 4,000 shares. These debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed $3,250,000.

5 SUNDRY MORTGAGES PAYABLE

This amount covers 16 mortgages on properties purchased for retail store locations and additional warehouse and/or production facilities. The principal amounts mature up to 1980 with various interest rates not exceeding 10%.

6 SHARE CAPITAL

During the year 960 non-voting class B shares were issued to employees for an aggregate sum of $6,912.

7 DIVIDENDS

On December 31, 1970 the Company declared a dividend of $6 per share on its class A shares, being the dividend accruing from January 1, 1970 to December 31, 1970. This dividend, totalling $34,050, was paid on January 4, 1971.

8 DEPRECIATION

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles which have been depreciated at maximum normal rates permitted by

regulation under The Canada Income Tax Act. The Company has continued to claim maximum allowances for income tax purposes.

9 FLOATING CHARGE DEBENTURES

$450,000 principal amount of debentures of the Company, due on demand and secured by a floating charge, are lodged with the Company's bankers as collateral security for loans outstanding from time to time.

10 REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include $135,703 (last year $112,403) for remuneration of officers and $5,200 for directors' fees (last year $5,300).

11 LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to $1,462,710. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to $9,536,700.

Auditors' report to the shareholders

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1971, and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1971, and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 30, 1971

Langlois, Hauck & Company

Chartered Accountants

The Becker Milk Company Limited and subsidiary companies

Ten years of progress

Year Ended April 30

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
	$	$	$	$	$	$	$	$	$	$
Sales	56,956,164	50,636,008	42,581,264	34,511,342	27,150,658	19,966,503	14,917,766	10,621,311	6,837,097	4,533,586
Earnings before depreciation and amortization, interest and taxes on income	3,252,808	3,271,049	2,716,803	2,189,374	1,707,740	1,039,740	549,167	392,750	292,841	202,107
Depreciation and amortization (Note 1)	958,516	814,019	693,962	483,576	395,838	315,746	251,170	195,140	124,799	89,196
Interest	195,230	194,858	80,813	51,562	30,038	34,583	21,478	14,014	5,910	3,448
Taxes on income	1,111,560	1,197,800	1,025,431	857,663	656,419	352,646	137,747	92,850	77,718	47,651
Net earnings	1,075,002	1,064,372	916,597	796,573	625,445	336,765	138,772	90,746	84,414	61,812
Shareholders' equity (Note 2)	5,901,457	4,853,593	3,815,981	2,708,463	1,940,340	728,552	391,197	252,400	161,403	76,819
Shares outstanding (Note 2)	1,719,220	1,718,260	1,717,540	1,703,700	1,703,000	1,600,750	1,589,250	1,584,250	1,534,000	1,500,000
Net earnings per class B and common share (Note 3)	.60	.60	.51	.45	.35	.21	.09	.06	.06	.04
No. of stores (at end of fiscal year)	340	293	251	201	156	127	101	81	51	37
Net fixed asset additions	2,167,127	2,165,236	2,244,977	1,973,365	887,833	655,063	763,908	597,888	819,880	256,598

Notes:

(1) Figures for all years have been adjusted to reflect current Company policy on depreciation and amortization.

(2) Combined Class "B" and Common.

(3) Figures for all years have been adjusted for the ten-for-one stock split of February 28, 1967. Net earnings per share have been adjusted to allow for the current year's Class "A" preference dividend. Dividends on Class "A" shares from January 1, 1971 to April 30, 1971 amounting to $11,350 have not been declared and/or allowed in computing the shareholders' equity.

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1970 and 1971 fiscal year.


BECKER'S
BECKER'S
JUG
MILK
BECKER'S


36
BECKER'S
BOAT
Public LAUNCHING


JUG
MILK
BECKER'S
Scarfe
BECKER'S

Directors and Officers

Board of Directors

Frank A. Bazos	Chairman of the Board The Becker Milk Company Limited
Robert W. Lowe	President The Becker Milk Company Limited
Robert Bazos	President Perrette Dairy Limited
William H. Zimmerman	Queen's Counsel
E. S. Miles	Investment Dealer
George Panos	Vice-President The Becker Milk Company Limited
Geoffrey W. J. Pottow	Vice-President The Becker Milk Company Limited

Officers

Frank A. Bazos	Chairman of the Board
Robert W. Lowe	President
Robert Bazos	Vice-President
Arvi Magi	Vice-President and Treasurer
George Panos	Vice-President
Geoffrey W. J. Pottow	Vice-President
William H. Zimmerman	Secretary
R. S. Paddon	Assistant Secretary

Reigstrar and Transfer Agent

The Royal Trust Company — Toronto and Montreal

Auditors

Langlois, Hauck & Company — Toronto

Solicitors

Zimmerman & Winters — Toronto

Stock Exchange Listing of Class "B" Shares

Toronto Stock Exchange

Head Office

671 Warden Ave. — Scarborough, Ontario, Canada

The Becker Milk Company Limited

Annual Report
Year Ended April 30, 1971

HALF-YEAR HIGHLIGHTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 1971

	1971 $	1970 $
Sales	34,389,848	29,069,045
Operating earnings	2,179,555	1,810,764
Net operating earnings	744,840	586,155
Earnings per share	0.423	0.331
Long term debt	2,715,422	2,608,295
Shareholders' equity	7,154,873	6,094,748
Shares outstanding		
Class A	5,675	5,675
Class B	1,178,470	1,177,510
Common	540,750	540,750
Number of stores	355	317
Number of employees	1,468	1,355

INTERIM REPORT

TO THE SHAREHOLDERS OF

THE BECKER MILK COMPANY LIMITED
AND SUBSIDIARY COMPANIES

For the six months ended October 31, 1971

BECKER'S

The Becker Milk Company Limited

Annual Report

To our Shareholders:

As of October 31, 1971, there were 355 Beckers' Stores in operation in our "Becker Country".

Sales of $34,389,848 for the six month period showed an increase of $5,320,803 or 18% over the sales of the first six months of last year.

Net earnings from operations were $744,840, an equivalent of 42 cents per share, after allowing for the proportional Class "A" Preference Share dividends. This shows an increase of 27% over the net earnings from operations of $586,155, or 33 cents per share in the same period last year.

Sincerely

Chairman of the Board

December 9, 1971.

President,

CONSOLIDATED STATEMENT OF EARNINGS

UNAUDITED

FOR THE SIX MONTHS ENDED OCTOBER 31, 1971

	1971	1970
	$	$
Sales	34,389,848	29,069,045
Cost of goods sold	24,997,037	21,153,089
Gross profit	9,392,811	7,915,956
Operating expenses	7,213,256	6,105,192
Earnings before depreciation and amortization, interest charges and taxes on income	2,179,555	1,810,764
Depreciation and amortization	531,915	461,872
Interest charges	91,300	101,998
Taxes on income	811,500	660,739
Earnings from operations	744,840	586,155
Add: Compensation from store expropriation	---	87,500
Net earnings for the period	744,840	673,655

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

UNAUDITED

FOR THE SIX MONTHS ENDED OCTOBER 31, 1971

	1971	1970
	$	$
Source of Funds		
Operations		
Net earnings for the period	744,840	673,655
Items not requiring an outlay of funds:		
Depreciation and amortization	531,915	461,872
Deferred income tax	(2,650)	10,484
Sundry	883	---
	1,274,988	1,146,011
Other		
Manager bond deposits	4,325	38,200
Increase in mortgages payable – net	60,534	103,433
Decrease in advance to associated company	---	28,093
Decrease (increase) in mortgages receivable – net	4,108	(22,000)
	1,343,955	1,293,737
Use of Funds		
Purchase of fixed assets (net of disposals) and progress draw payments	1,067,014	1,091,103
Dividends payable	58,924	---
Sundry	2,167	18,236
	1,128,105	1,109,339
Increase in working capital	215,850	184,398
Working capital at end of period	1,052,359	906,679
Working capital at beginning of period	836,509	722,281
Increase in working capital	215,850	184,398